

GOVERNANCE & RESOURCES COMMITTEE

THURSDAY 3 NOVEMBER 2016

AGENDA ITEM 8

PROCUREMENT OF FITNESS EQUIPMENT

GOVERNANCE AND RESOURCES COMMITTEE
3 NOVEMBER 2016

Report of the Head of Community Development

PROCUREMENT OF FITNESS EQUIPMENT

PURPOSE OF REPORT

This report seeks approval for the purchase or lease of new fitness equipment and approval for the conversion of the Community Room at Ashbourne Leisure Centre into a Group Exercise Studio.

RECOMMENDATION

1. That the business case outlined in this report be referred to Council in November 2016, to be considered for funding alongside other capital scheme business cases.
2. That subject to (1) above,
 - approval is given to procure equipment as specified in Option Two of the report
 - approval is also given to convert the Community Room at Ashbourne Leisure Centre into a group exercise studio

WARDS AFFECTED

Option 1: Ashbourne and surrounding wards

Option 2: All wards

STRATEGIC LINK

Leisure Services support the District Council's Corporate Aim to promote quality of life and also makes a significant contribution to the safety and health of the community Derbyshire Dales. The review has reflected on the District Council's priorities whilst also seeking to ensure that we deliver value for money and work effectively with partners.

1. SUMMARY

The current contract for the lease of fitness equipment at Ashbourne Leisure Centre is due to end in February next year. With this in mind, Officers have considered a number of options for replacement. The favoured option will result in the provision of new equipment at Arc Leisure Matlock and Ashbourne Leisure Centre, whilst providing Bakewell Swimming Pool and Wirksworth Leisure Centre with an upgrade on current equipment.

2. BACKGROUND

- 2.1 In February 2017 the profit share lease agreement with Competition Line UK Ltd. for the provision of health and fitness equipment at Ashbourne Leisure comes to an end. A large proportion of equipment will be returned to the company at this time, resulting in a need to replace.
- 2.2 The agreement with Competition Line has been in place since 1996 and stipulates an income share payment of 60% of the gym income at Ashbourne Leisure Centre, in return for the provision of gym equipment and service/maintenance contract. Last year, the District Council paid £108,000 to Competition Line for this service, and has paid £441,000 over the last 5 years for Ashbourne Leisure Centre alone.
- 2.3 When the agreement comes to an end, the District Council is contractually obliged to either return the equipment to the company, negotiate new terms or source alternative replacements. Current contract terms are extremely unfavourable and as such, Officers have conducted a tendering process in order to understand potential savings.
- 2.4 The tender process consisted of two options; both included the provision of 30 new indoor cycles as the current units are in need of replacement. Three bids were received, each of which includes maintenance costs for a five year period (as seen in 3.1).
- 2.5 As part of the Leisure Review, the consultant's report highlighted the need to improve the health and fitness offer across the service (p24 3.60, 3.61). Currently, the District Council is underperforming in this area when compared to national benchmarks. Whereas, other parts of the service are performing well against the national averages. In addition to this, a recent latent demand study identified a potential 20% for membership growth in the Dales.
- 2.6 Unfortunately, the procurement of the equipment could not be rolled into the overall review of Leisure Services due to the timescales involved. However, any contractual arrangement agreed would be factored into the specification, should Members vote in favour of Option 2 of the Leisure Review (along with other contracts already in place). Also, should Members prefer Option 5 of the Leisure Review, the new equipment would only enhance the offer available to users and potential users of the facilities.
- 2.7 The Community Room at Ashbourne Leisure Centre is currently used to host occasional meetings and some group activities such as the Healthy Hearts Club, however this space could be better used to generate more income. All group exercise classes currently take place in the main sports hall which is not an appropriate environment and also means that space is unavailable for sports club hire.

3.0 REPORT

- 3.1 The tender process has been completed and the costs below identify the maximum costs associated with both options. The cost for indoor cycles is included in the figures below but costs to convert the community room are excluded as this project is separate from the tender process for equipment.

- Option 1: Replace equipment at Ashbourne Leisure Centre, provide 30 indoor cycles and convert the Community Room into a Group Exercise Studio.
- Option 2: Replace gym equipment at Ashbourne and Arc, relocate equipment from these to facilities to Bakewell and Wirksworth and convert the Community Room into a Group Exercise Studio and provide 30 indoor cycles.

Bid	Value (Option 1)	Value (Option 2)
Tender 1	£119,360	£289,782
Tender 2	£112,687	£269,372
Tender 3	£92,421	£245,644

- 3.2 Based on the information provided by the Leisure Database Company and the current membership sales and retention rates, the Leisure Management team have estimated a revenue growth of approximately £20,000 per annum.
- 3.3 It is proposed that the Community Room is converted into a group Exercise Studio, enabling all classes to transfer from the Sports Hall into this space. Costs to complete the conversion are being estimated but are likely to be in the region of between £15k and £25k.
- 3.4 Modest projections indicate that by moving classes from the Sports Hall would generate approximately £11k per annum of additional income from bookings alone. It is also considered that having a dedicated space for group exercise classes would result in increased attendances and memberships.
- 3.5 The proposed works would be financed through a combination of the sale of existing old fitness equipment and external funding. The conversion is deliverable in this way regardless of which fitness equipment purchase option is approved, although proceeding with option 2 will provide a more competitive offer.

4.0 Conclusion

- 4.1 Given the termination date of the contract in February 2017, and supporting information to improve the current health and fitness offer across the leisure centres, it is recommended that Members approve the purchase of equipment as outlined in Option Two.
- 4.2 It is also recommend, that the equipment be purchased outright in order to gain the most economical advantageous offer, which would provide a saving of £346,184 over the next five years, when compared current costs. Details of the savings for both options are set out in Appendix 1.

5 RISK ASSESSMENT

5.1 Legal

The procurement route documented in the report confirms with the relevant legislation and the District Council's Contract Standing Orders. Council is required to make the funds available. The legal risk is therefore low to medium.

5.2 Financial

Funding for the replacement fitness equipment (£250,000) will be considered by Council on 24th November, alongside other projects to be funded from the capital programme reserve. Members should be aware that there is a high risk that funding for all the proposed capital projects will not be available from the Capital Programme Reserve.

As stated in the body of the report, the conversion of the community room into an exercise studio will be funded by a capital receipt generated from the sale of old fitness equipment. This element is assessed as low financial risk.

This project has significant financial benefits for the revenue budget. As stated in paragraph 4.1, and shown in Appendix 1, it is estimated that this proposal will generate savings of £346,000 over 5 years. If the capital cost of the fitness equipment is excluded, the savings to the revenue budget are £576,000 over five years, or £115,000 per annum. The payback period for the investment is 2.3 years.

The revenue budget savings will be reflected in March when the Council sets revised estimates for 2016/17 and estimates for 2017/18, and also in the Draft Financial Strategy that will be presented to the Council meeting on 24 November. It would be prudent to set aside some of the revenue savings to build up a reserve that will provide for the future replacement of this equipment when it reaches the end of its useful life. This will be included in the Draft Financial Strategy, for Members' consideration.

The overall financial risk is assessed as medium.

6 OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

7 CONTACT INFORMATION

Ashley Watts, Head of Community Development
01629 761367
ashley.watts@derbyshiredales.gov.uk

Rob Wilks, Community Development & Wellbeing Officer
01629 761381
rob.wilks@derbyshiredales.gov.uk

8 BACKGROUND PAPERS

None

9 ATTACHMENTS

Appendix 1 – Fitness Suite Equipment

Fitness Suite Equipment

Option 1

To Replace the current Competition Line Equipment and Purchase of New Spin Bikes (costs over 5 years)

Scheme Details	Capital	Revenue	Existing Scheme	Existing Cost	Saving
Purchase of the Equipment	80,000.00		Competition Line - last 5 years	441,183.53	-361,183.53
On Going Maintenance of the above equipment		0.00	Maintenance costs are included within the Competition line charge	0.00	0.00
New Maintenance cost for Arc		72,000.00	existing cost of maintenance at Arc	0.00	72,000.00
Maintain Bakewell & Wirksworth through existing Budgets		35,000.00	Maintain Bakewell & Wirksworth through existing Budgets	35,000.00	0.00
Extraction costs		5,000.00		0.00	5,000.00
Purchase of Spin Bikes for Ashbourne & Arc	37,000.00			5,000.00	32,000.00
Transfer of existing spin bikes from Arc to Wirksworth	0.00	0.00	to be moved by env services - internal charge? - internal recharge needed from Env Services - Costs of men & vehicle		0.00
	117,000.00	112,000.00		0.00	481,183.53
					-252,183.53

Option 2

To Replace Equipment at Ashbourne and Arc

Scheme Details	Capital	Revenue	Existing Scheme	Existing Cost	Saving
Purchase of the Equipment	250,000.00		Competition Line & arc last 5 years	486,183.53	-236,183.53
On Going Maintenance of the above equipment for Arc & Ashbourne		0.00	Arc's current maintenance costs	0.00	0.00
Redeploy the Existing Equipment to Bakewell & Wirksworth		10,000.00			10,000.00
Additional income from sports hall revenue and increase membership		-155,000.00			-155,000.00
Maintenance for Bakewell & Wirksworth of equipment transferred from Arc & Ashbourne		35,000.00			35,000.00
	250,000.00	-110,000.00	0.00	0.00	486,183.53
					-346,183.53